

July 20, 2022

The Honorable Martin Glenn United States Bankruptcy Court, Southern District of New York One Bowling Green New York, NY 10004-1408 Re: Celsius Network LLC, et al. ("Celsius"), Case Number 22-10964

Dear Chief Judge Glenn:

At the outset, I want to bring to your kind attention the reputation of the people behind the company Celsius viz. Mr Alex Mashinsky, Mr. Nuke Goldstein etc. These people have been misleading customers for a long time and have profited by defrauding retail investors. Just a few days before locking withdrawals, Celsius published an article "Damn The Torpedos" suggesting that everything was fine over at Celsius and customers had nothing to worry about. (Link: <https://blog.celsius.network/damn-the-torpedoes-full-speed-ahead-4123847832af>) Just days after publishing this, they locked down withdrawals. With the publication of their accounts, it is now abundantly clear that they have been hiding an asset liability mismatch for months. Yet, they went about as if everything was fine, and published lies and misleading statements to investors, defrauding them of their hard earned money. People kept putting money into Celsius based on the statements made by Mr Mashinsky and others at Celsius.

I would also like to bring to your attention the existence of an online community at <https://reddit.com/r/CelsiusNetwork> which has turned into a support group of sorts for people affected by this incident. This group has over 40,000 users as of this moment. For months before locking funds, the sub-reddit r/CelsiusNetwork was moderated by Celsius employees, who deleted any posts critical of their operation. They maintained that everything was fine with Celsius, while censoring and even banning users who dared to expose the internals of Celsius.

I hope that these actions can be immediately taken so that the confidence of the retail users who have funds locked up in this scam operation orchestrated by Mr. Mashinsky can atleast have some confidence that their funds are protected by the rights accrued to them under the law.

In addition, I would like to outline a few points of concern:

1. I wholly disagree with the characterization by Celsius that "how we got here today" is chiefly a result of the macro environment and bad public sentiment. The real Reason that Celsius got to where it is today was because Celsius was reckless, negligent, and intentionally misled its customers.
2. When I joined Celsius, I relied on the Celsius White Paper 2 , of which I enclose a copy, as well as statements by Mr. Mashinsky, such as the below, to assess the risk to my deposits. <https://twitter.com/Mashinsky/status/1311020748451065862>, Sep 29, 2020 The White Paper describes a system whereby my coins would be lent out to short sellers, and I would receive interest for doing so. This is a very different revenue and risk model to the one it was revealed Celsius was actually operating, which involved complex leveraged long positions on decentralized finance platforms. If their strategy changed since I signed up, Celsius did not disclose or communicate this to me.

3. It was never disclosed to customers the inordinate amount of risk customers was exposed to under the management of Celsius Network. Two months before pause of withdrawals, Alex in an CNBC interview specifically stated that “Celsius only participates in delta-neutral strategy...Celsius doesn’t bet on the markets going up or down...and Banks do that all day long with your money...what Celsius does is take all that profit and give most of it back to the community” (source: <https://youtu.be/m1Zqx618Tvg?t=148> at 2:28 second start, CNBC interview with CEO Alex Mashinsky).
4. Four days before withdrawals were paused (June 7th, 2022), Celsius posted an official statement on its blog that it had the reserves (and more than enough ETH) to meet obligations (source: Celsius Median Blog, <https://blog.celsius.network/damn-the-torpedoes-full-speed-ahead-4123847832af>). It labeled those against these claims as spreading “misinformation”, when in fact Celsius did not have those reserves as was revealed in its bankruptcy filing 30 days later. Alex also claimed in several interviews that Celsius had over \$2 billion on its balance sheet in reserves, more than any other crypto lending platform. For a private company that provided no public financial disclosures to its customers, the only word we had to trust was Alex and he stated that “Celsius would take full responsibility if anything goes bad, that’s why we raised \$750 million” (source: at 0:25 seconds, <https://twitter.com/cryptohunter0x/status/1545426359836606466?s=20&t=Nkg9N4tJqkk73gc1pTCDPQ>). It was only later determined during bankruptcy filings that this \$2B was based on illiquid CEL token holdings, which didn’t have enough liquidity for Celsius to ever be able to truly use those funds.

I would request you hold Celsius accountable for misrepresenting to customers its balance sheet insolvency position since 2021, and incorrectly stating to customers that it had enough reserves to meet obligations.

Overall, I am concerned that the Chapter 11 process may allow Celsius’ leadership to evade accountability for actions for which I believe they ought to be held accountable.

I do not believe this case is merely the result of a series of unfortunate events for a well-intentioned company, but rather a result of Mr. Mashinsky’s web of lies, the company’s gross financial mismanagement, and a reckless corporate culture, all finally coming undone.

The Court should not allow Celsius and its executives to use the Chapter 11 as a tool to defraud its thousands of investors. That is manifestly unjust and an improper use of Chapter 11 reorganization proceedings.

Sincerely,

Nghiem B. Nguyen